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FACTORS AFFECTING INTEREST RATES AND OTHER CHARGES ON SHORT-TIME FARM LOANS.

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INTRODUCTION.

There are wide variations in the interest rates and other charges paid on short-time loans by farmers in different sections of the United States. The extent of the variations between States is indicated by the diagram, Plate I, which shows for each State the average interest rate and the average total cost for loans to farmers on personal security, as obtained from reports received by the Office of Markets and Rural Organization. Variations inside the State boundaries are shown by the table on page 3, which gives the same averages for districts or subdivisions within the States. The districts referred to in this table are shown on the map, Plate II.

The extent to which extra charges of one kind or another affect the cost of short-time loans to farmers is indicated by the diagram and the table. It will be seen that these charges are especially high in the Southern and the Rocky Mountain States. The relatively large

NOTE.—This bulletin discusses the reasons for variations in interest rates on short-time farm loans, giving special attention to those causes of variation which can be modified by individual or collective action.

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figure shown for extra cost in North Carolina is due, in part, to the fact that with a legal interest rate of 6 per cent the lenders of that State have made up in extra charges what the State law does not permit them to charge as interest. In some cases the difference between the interest rates shown in the table and the estimated total cost may be explained by the fact that interest is reckoned for a full year on a loan which actually runs for only 9 or 10 months, though more often the extra charge takes the tangible form of a bonus demanded by the loan agent in payment for his services in "getting the money" or of a fee for making out the papers. Especially in connection with loans on chattel security is there likely to be considerable expense for making out papers, recording the chattel mortgage, etc. In general, however, the extra charges are small where the interest rates are low, and vice versa, so that the variations between different sections of the country may be considered either on the basis of the nominal interest rate alone or on the basis of the total cost.

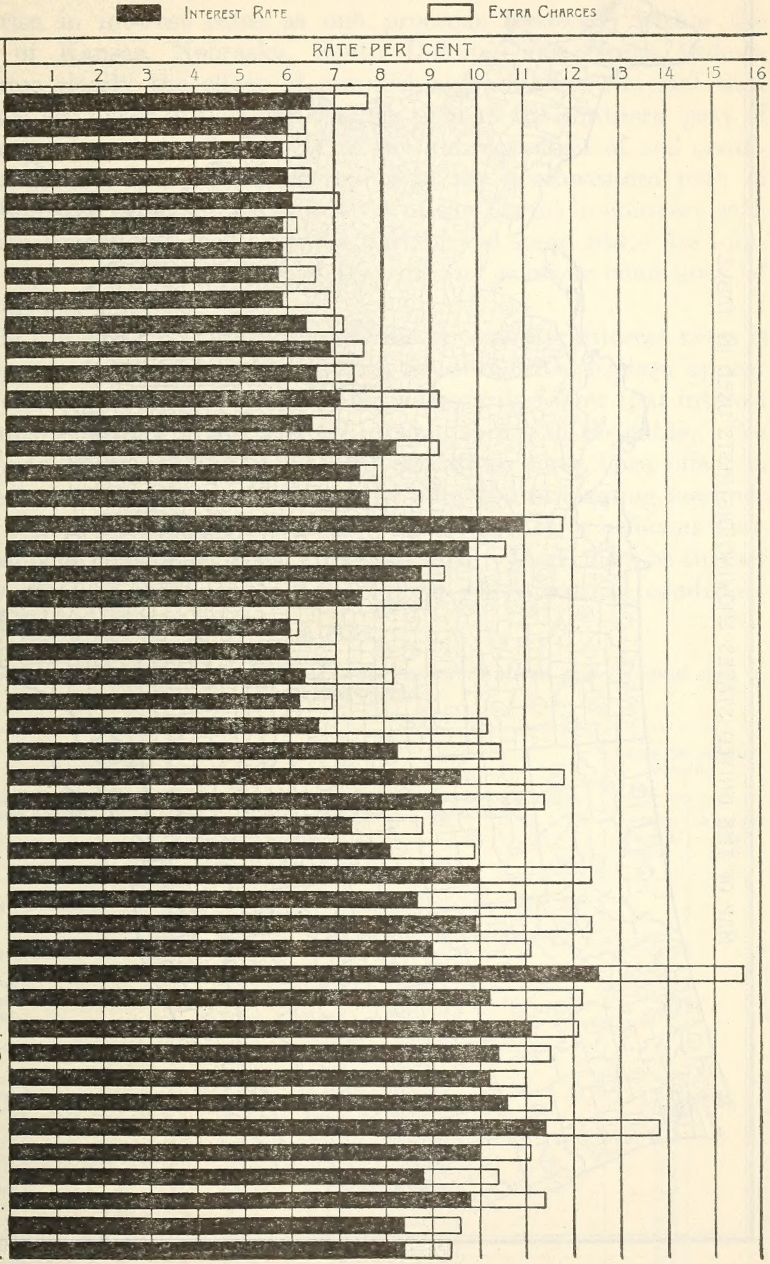
No simple explanation will account adequately for these variations between one State or district and another. While some of the factors involved are essentially natural conditions and are not readily subject to change, others have been brought about primarily by human agencies and may be modified considerably through voluntary action. It is realized that any improvement in the farm-loan situation must be secured mainly through the modification of conditions controlled by human agencies. Therefore, while some attention should be given to natural conditions in order to show their importance as factors affecting interest rates and other charges on short-time loans, the purpose of this discussion is primarily to show some of the ways in which conditions actually are being modified so as to enable the farmer to obtain better terms.

IMPORTANCE OF NATURAL CONDITIONS.

Climate, contour of the land, and soil are, for the most part, natural conditions and, in the order mentioned, exert a relatively permanent influence upon the interest rates and other charges on short-time loans. Soil and to a less degree contour are subject to modification as the result of human activity. Much of our soil has been impoverished through a continuous one-crop system. Sandy hillsides, through open cultivation, often have been washed into gullies.

Because of the relative permanency of climate, contour, and soil it is necessary to adapt farming methods and systems to these factors rather than to attempt any material modification in the natural conditions in the interest of any particular farming need. Through the influence which they exert on farming and the results of farm business, however, they become important factors indirectly affecting interest rates on short-time farm loans. The influence of

LOANS TO FARMERS ON PERSONAL SECURITY
AVERAGE RATES FOR INTEREST AND EXTRA CHARGES



MAP OF THE UNITED STATES SHOWING DISTRICTS USED IN TABLE

these factors may be noted in a comparison of the district averages for the cost of short-time loans as shown in the table below. The rapid rise in interest rates as one proceeds westward within the States of Kansas, Nebraska, South Dakota, and North Dakota illustrates clearly the effect of diminishing rainfall. The fact that the rates are lower in northern Illinois than in the southern part of the State is accounted for partly as the indirect effect of soil conditions, while the lower rates prevailing in the northwestern part of Minnesota (the valley of the Red River of the North) in contrast with those existing in the north-central part of the same State are indirectly explained as the effect of the soil and contour conditions of these regions.

While the effect of natural conditions on existing interest rates is thus apparent, and while the natural conditions themselves appear to be relatively permanent, it does not necessarily follow that interest rates must continue to vary to the extent shown in the table. For the disadvantages of certain natural conditions have been offset in some measure in certain regions by the adoption of farming methods and practices adapted to the given conditions. It is believed that, as a result of continued study and experiment, there may be further improvement of this character in regions where natural conditions are relatively unfavorable.

Loans to farmers on personal security—Average rates for interest and for total cost, by States and districts.

Geographic division, State, and district.	Loans on personal security.		Geographic division, State, and district.	Loans on personal security.	
	Average interest rate.	Average total cost.[1]		Average interest rate.	Average total cost.[1]
NEW ENGLAND.			MIDDLE ATLANTIC—continued.		
Maine	6.5	7.7	Pennsylvania—Continued.		
New Hampshire	6.0	6.4	District 5	5.8	6.6
Vermont	5.9	6.4	District 6	6.0	7.8
Massachusetts	6.0	6.5	District 7	5.9	7.4
Rhode Island	6.1	7.1	District 8	5.6	7.1
Connecticut	5.9	6.2	District 9	5.7	6.4
MIDDLE ATLANTIC.			EAST NORTH CENTRAL.		
New York	5.9	7.0	Ohio	6.4	7.2
District 2	5.8	6.5	District 1	6.9	7.9
District 3	6.0	6.6	District 2	5.9	6.2
District 4	6.0	7.3	District 3	6.2	7.1
District 5	5.9	6.5	District 4	6.4	6.9
District 6	5.9	7.4	District 5	6.5	7.7
District 7	6.0	7.1	District 6	6.2	6.7
District 8	6.0	7.2	District 7	6.3	6.9
District 9	6.0	7.1	District 8	7.0	7.2
New Jersey	5.8	6.6	District 9	6.3	6.9
Pennsylvania	5.9	6.9	Indiana	6.9	7.6
District 1	6.1	7.5	District 1	7.1	7.5
District 2	6.0	[2]	District 2	6.9	7.9
District 3	5.9	6.2	District 3	6.4	6.6
District 4	6.0	6.8	District 4	7.3	8.2

[1] Average of estimated total cost (rate per cent), including "discounts, bonuses, commissions, and any other extra charges," as reported by correspondents.

[2] Data at hand not sufficient to warrant the showing of a district average.

Loans to farmers on personal security—Average rates for interest and for total cost, by States and districts—Continued.

Geographic division, State, and district.	Loans on personal security.		Geographic division, State, and district.	Loans on personal security.	
	Average interest rate.	Average total cost.[1]		Average interest rate.	Average total cost.[1]
EAST NORTH CENTRAL—contd.			WEST NORTH CENTRAL—contd.		
Indiana—Continued.			North Dakota	11.0	11.8
District 5	6.7	7.5	District 1	11.6	12.5
District 6	6.4	6.9	District 2	11.6	12.3
District 7	7.3	8.3	District 3	10.3	11.3
District 8	7.0	7.9	District 4	11.4	13.2
District 9	6.6	7.5	District 5	11.2	12.0
Illinois	6.6	7.4	District 6	9.6	9.7
District 1	6.4	6.9	District 7	11.5	12.2
District 3	6.2	6.7	District 8	11.1	11.7
District 4	6.4	7.4	District 9	10.2	10.6
District 4a	6.6	7.3	South Dakota	9.8	10.6
District 5	6.3	6.8	District 1	10.7	12.4
District 6	6.7	7.4	District 2	9.9	11.4
District 6a	6.9	7.8	District 3	9.5	10.3
District 7	6.8	7.7	District 4	10.1	10.6
District 9	7.4	9.3	District 5	9.8	9.9
Michigan	7.1	9.2	District 6	8.7	9.1
District 1	7.8	9.8	District 7	11.3	12.3
District 2	7.3	8.7	District 8	11.6	12.4
District 3	7.9	14.1	District 9	8.5	8.9
District 4	7.0	10.7	Nebraska	8.8	9.3
District 5	7.9	11.2	District 1	9.8	10.2
District 6	8.4	10.8	District 2	9.8	10.4
District 7	6.7	8.1	District 3	8.5	8.8
District 8	6.5	7.3	District 4	9.8	10.6
District 9	6.5	7.4	District 5	9.0	9.1
Wisconsin	6.5	7.0	District 6	7.7	8.3
District 1	7.8	8.4	District 7	9.5	10.4
District 2	6.9	7.8	District 8	9.2	9.9
District 3	7.0	8.1	District 9	7.8	8.3
District 4	6.6	7.2	Kansas	7.5	8.8
District 5	6.4	6.7	District 1	9.6	10.1
District 6	5.8	6.3	District 2	8.4	8.9
District 7	6.7	6.8	District 3	8.0	8.6
District 8	6.2	6.3	District 4	10.2	[2]
District 9	5.7	6.1	District 5	7.9	8.0
WEST NORTH CENTRAL.			District 6	7.9	8.1
			District 7	10.2	10.9
Minnesota	8.3	9.2	District 8	8.7	9.6
District 1	9.5	10.6	District 9	8.1	8.4
District 2	10.0	11.4			
District 3	[2]	[2]	SOUTH ATLANTIC.		
District 4	8.6	8.7			
District 5	8.0	9.0	Delaware	6.0	6.2
District 6	8.3	9.4	Maryland	6.0	7.0
District 7	8.4	9.0	District 1	6.2	7.4
District 8	7.4	8.4	District 2	6.0	6.4
District 9	6.7	6.9	District 3	6.0	6.4
Iowa	7.5	7.9	District 5	6.0	8.0
District 1	7.9	7.9	District 6	[2]	[2]
District 2	7.7	8.2	District 8	6.0	7.5
District 3	7.1	7.8	Virginia	6.3	8.2
District 4	7.9	8.2	District 2	6.0	7.0
District 5	7.2	7.4	District 4	6.4	9.1
District 6	6.8	7.4	District 5	6.2	10.2
District 7	7.7	8.7	District 6	6.0	7.6
District 8	7.7	8.2	District 7	6.1	7.5
District 9	6.9	7.2	District 8	6.4	8.1
Missouri	7.7	8.8	District 9	7.3	8.2
District 1	7.3	7.9	West Virginia	6.2	6.6
District 2	7.6	8.0	District 1	5.9	[2]
District 3	7.2	8.0	District 2	6.0	7.0
District 4	7.5	8.1	District 3	6.0	[2]
District 5	7.7	9.2	District 4	7.7	8.4
District 6	7.4	8.6	District 5	6.4	[2]
District 7	8.0	8.6	District 6	6.0	6.6
District 8	8.3	12.0	District 8	6.0	7.3
District 9	8.5	9.5			

[1] Average of estimated total cost (rate per cent), including "discounts, bonuses, commissions, and any other extra charges," as reported by correspondents.

[2] Data at hand not sufficient to warrant the showing of a district average.

Loans to farmers on personal security—Average rates for interest and for total cost, by States and districts—Continued.

Geographic division, State, and district.	Loans on personal security.	
	Average interest rate.	Average total cost.[1]
SOUTH ATLANTIC—contd.		
North Carolina	6.6	10.2
District 1	6.5	9.9
District 2	6.0	9.8
District 3	6.0	13.1
District 4	6.3	8.3
District 5	6.5	9.1
District 6	7.8	11.7
District 7	6.8	10.0
District 8	6.8	11.0
District 9	6.8	14.0
South Carolina	8.3	10.5
District 1	8.5	10.5
District 2	8.0	9.4
District 3	8.2	11.2
District 4	8.2	10.0
District 5	8.2	10.3
District 6	[2]	[2]
District 8	8.2	11.9
Georgia	9.6	11.8
District 1	9.9	12.1
District 2	8.7	11.5
District 3	8.6	10.8
District 4	9.8	13.1
District 5	10.4	11.8
District 6	10.0	12.9
District 7	9.2	11.0
District 8	10.5	11.8
District 9	8.0	11.4
Florida	9.2	11.4
District 1	9.5	11.6
District 3	9.3	11.4
District 5	8.9	12.4
District 8	9.1	9.8
EAST SOUTH CENTRAL.		
Kentucky	7.3	8.8
District 1	7.3	9.2
District 2	6.9	8.2
District 3	7.3	9.1
District 5	6.3	7.5
District 6	7.6	9.0
District 7	8.7	10.3
District 7a	7.2	9.2
District 8	7.0	8.4
District 9	8.1	9.3
Tennessee	8.1	9.9
District 1	8.9	10.3
District 2	7.9	9.8
District 3	6.6	8.8
District 4	10.4	11.1
District 5	7.6	9.0
District 6	[2]	[2]
District 7	9.5	13.1
District 8	7.4	8.8
District 9	8.0	8.7
Alabama	10.0	12.4
District 1	9.4	11.5
District 2	12.0	15.8
District 3	9.8	12.0
District 4	9.4	10.0
District 5	9.5	12.6
District 6	10.7	12.8
District 7	8.9	10.3
District 8	9.5	11.8
District 9	10.6	12.5
Mississippi	8.7	10.8
District 1	8.5	11.1
District 2	8.3	10.3

Geographic division, State, and district.	Loans on personal security.	
	Average interest rate.	Average total cost.[1]
EAST SOUTH CENTRAL—contd.		
Mississippi—Continued.		
District 3	8.6	9.5
District 4	9.8	11.8
District 5	8.9	13.5
District 6	8.1	10.1
District 7	8.5	10.4
District 8	8.6	11.2
District 9	8.3	9.7
WEST SOUTH CENTRAL.		
Arkansas	9.9	12.4
District 1	9.7	10.0
District 2	10.4	13.4
District 3	9.9	12.0
District 4	9.9	13.1
District 5	9.8	12.3
District 6	9.8	12.7
District 7	9.8	12.3
District 8	10.2	11.7
District 9	9.8	12.2
Louisiana	9.0	11.1
District 1	10.5	13.0
District 2	9.3	11.0
District 3	9.1	9.8
District 4	8.0	11.7
District 5	9.2	11.2
District 6	8.3	10.0
District 7	8.5	12.4
District 8	8.5	9.8
District 9	8.2	10.4
Oklahoma	12.5	15.6
District 1	11.2	14.6
District 2	10.4	11.4
District 3	12.1	11.5
District 4	12.2	16.5
District 5	12.7	16.0
District 6	13.8	19.2
District 7	12.2	15.4
District 8	13.2	16.6
District 9	14.4	18.2
Texas	10.2	12.2
District 1	11.1	12.7
District 2	10.2	12.8
District 3	10.9	13.9
District 4	10.0	10.9
District 4a	10.4	11.7
District 5	9.9	11.5
District 6	10.3	14.6
District 8	9.3	10.4
District 9	9.4	10.4
MOUNTAIN.		
Montana	11.1	12.1
District 1	12.0	15.0
District 2	11.3	12.3
District 3	11.4	12.0
District 4	11.3	12.5
District 5	10.8	11.5
District 6	11.6	13.7
District 7	[2]	[2]
District 8	11.3	12.5
District 9	10.3	10.4
Idaho	10.4	11.5
District 1	10.7	11.6
District 2	[2]	[2]
District 4	[2]	[2]
District 5	10.4	11.3
District 7	10.2	12.8

[1] Average of estimated total cost (rate per cent), including "discounts, bonuses, commissions, and any other extra charges," as reported by correspondents.
[2] Data at hand not sufficient to warrant the showing of a district average.

Loans to farmers on personal security—Average rates for interest and for total cost, by States and districts—Continued.

Geographic division, State, and district.	Loans on personal security.		Geographic division, State, and district.	Loans on personal security.	
	Average interest rate.	Average total cost.[1]		Average interest rate.	Average total cost.[1]
MOUNTAIN—continued.			PACIFIC—continued.		
Idaho—Continued.			Washington—Continued.		
District 8	10.1	11.4	District 5	11.1	13.9
District 9	10.5	11.3	District 6	9.8	11.0
Wyoming	10.2	11.0	District 7	8.4	11.1
Colorado	10.6	11.5	District 8	9.7	10.8
District 1	10.3	10.7	District 9	9.8	9.8
District 2	8.4	8.8	Oregon	8.4	9.6
District 3	10.3	10.9	District 1	8.0	9.6
District 4	10.8	11.9	District 2	9.1	9.5
District 5	9.9	11.1	District 3	9.0	9.1
District 6	10.3	11.2	District 4	7.8	8.8
District 7	13.0	13.6	District 5	8.5	11.5
District 8	12.1	[2]	District 7	8.7	9.7
District 9	10.1	10.8	District 8	[2]	[2]
New Mexico	11.4	13.8	District 9	[2]	[2]
Arizona	10.0	11.1	California	8.4	9.4
Utah	8.8	10.4	District 1	7.3	9.4
PACIFIC.			District 2	8.8	9.4
			District 3	8.2	9.6
Washington	9.8	11.4	District 4	7.9	8.6
District 1	9.3	13.2	District 5	7.6	9.1
District 2	11.2	13.5	District 5a	8.9	9.7
District 3	10.8	12.3	District 6	10.0	10.4
District 4	9.0	10.5	District 6a	[2]	[2]
			District 8	8.4	9.4

[1] Average of estimated total cost (rate per cent), including "discounts, bonuses, commissions, and any other extra charges," as reported by correspondents.
[2] Data at hand not sufficient to warrant the showing of a district average.

DISTANCE FROM FINANCIAL CENTERS.

The location of financial centers, which determines their distance from the borrowers in a given community, conforms to the localization of commerce and industry. The latter is generally governed by natural conditions. This means that distance from financial centers as a factor affecting interest rates is also relatively permanent, although to a less degree than in the case of climate, contour, and soil conditions. A study of the table on page 3, in connection with the accompanying map, shows that the averages for the cost of loans gradually rise as one proceeds outward from the leading financial centers. It is believed that variations in interest rates attributable to this factor can be considerably lessened, but the remedy for this appears to lie in institutional rather than individual effort.

CHARACTERISTICS OF THE BORROWER.

PERSONAL CHARACTER.

The borrower who is known to be a man of honesty and integrity and who shows ability and judgment in the conduct of his farm business will ordinarily command the confidence of his banker and obtain credit on terms relatively favorable for his class of loans, whereas the individual who is uncertain in his personal character,

erratic in his judgment, and irregular in his business habits will be considered a less desirable risk and, if he obtains a loan at all, usually must pay a higher rate of interest. In any case, if credit is to be extended wisely it is just as important to discourage its use among those who can not be trusted as it is to grant credit to trustworthy borrowers who will use the borrowed money profitably and repay it promptly.

BUSINESS ABILITY AND BUSINESS HABITS.

Oftentimes the borrower may be honest and upright in his intentions, but may fail to appreciate the importance of being prompt in meeting his obligations. Possibly he thinks that a few days after the date of maturity is soon enough to make payment, and that a little delay is unimportant. He may not stop to consider that extra work and expense are involved when notice must be given of overdue paper, or that bank examiners do not take kindly to notes that are overdue.

Again, the business ability and business habits of the farmer are tested when the banker asks for a statement of the borrower's business. This information is needed by the banker as a basis for intelligent rating. If the borrower is in the habit of keeping accounts and can explain the nature of his resources and liabilities and thus indicate accurately his financial standing, the wisdom of granting a desired loan as well as the proper terms thereon readily can be determined. On the other hand, if this information is lacking and the banker is in doubt about the safety of a particular loan, he is likely to charge up his uncertainty to the borrower's account in the form of a higher rate of interest.

The requirement that a borrower shall submit a statement of his business is being applied by bankers in their dealings with merchants and manufacturers. Accordingly, business men in general have become more or less familiar with this requirement, and are prepared to furnish such a statement whenever it is called for. Some bankers, in inaugurating a similar plan in connection with their farm loan business, are supplying farmers with especially prepared blanks, or rate sheets, on which the farmers furnish the desired information.

METHOD AND CHARACTER OF FARMING.

One important purpose of the rate sheet is to show how far the farmer devotes his energies to raising a single crop, or how far he diversifies his farming and gives attention to the raising of foodstuffs for his family and feed for his animals. If, for example, farmer A has a garden and raises enough vegetables and fruit to supply the family needs, if he keeps enough poultry, pigs, and other live stock to meet the requirements of his household for eggs, meat, milk and butter, if he provides enough pasture, hay, and fodder to feed his

live stock, he has this advantage, that when the cash crop, whether cotton or grain, is ready for sale in the fall, it is not tied up with a lien to meet a season's advance for food or feed. He is in a position, therefore, to sell his cash crop whenever the marketing conditions are favorable. The relatively favorable position of such a farmer assists him in commanding the confidence of lenders.

On the other hand, consider farmer B, who comes to the local merchant and makes credit purchases of bacon, cornmeal, and canned goods for table use, and who goes back to his farm with a bale of hay or a sack of feed in his wagon box. In his cotton field there are patches where the yield is poor because of low soil fertility and indifferent methods of cultivation. The only enterprise on the farm is cotton growing and this crop is mortgaged in advance to supply the food and feed purchased in town and consumed on the farm. Farmer B has little if any credit at the bank. He gets a limited store credit on an advancing basis from a local merchant. His is the most expensive kind of credit and probably he is the farmer who is the least able to pay for it.

RESPONSIBILITY FOR THE ONE-CROP SYSTEM.

In some regions the lender even more than the farmer is responsible for the continuance of a one-crop system of farming. This is especially true where bankers refuse to extend credit to farmers except on the basis of a single crop, such as cotton in the South or a cereal crop in the North. Such a mistaken policy can be corrected only to the extent that the banker realizes the evil effects of one-crop farming and undertakes to cooperate actively with the farmer in the extension of credit on a proper basis.

It is scarcely possible to lay too much emphasis upon the practical importance of the method and character of farming as a factor affecting interest rates on farm loans. Every agricultural region has its own peculiar problems of adapting farming methods and practices to local conditions. There are progressive bankers in various parts of the country who realize the importance of cooperating with the farmers in promoting the kind of farming that will be permanently beneficial to the community. This suggests a common interest between bankers and farmers which should be made the basis for further cooperative effort.

CHARACTERISTICS OF THE LOAN.

As the importance of promoting and encouraging improved systems of farming becomes increasingly apparent, attention will be directed more and more toward such questions as the purpose and size of farm loans. How are the proceeds of a proposed loan to be employed? Are they to be expended for a productive purpose, such as would lead

to improvement in the farming business? Is the size of the loan well adapted to the purpose in view? Does the period for which the loan is to run conform to the time the capital is actually needed? All of these questions have a direct bearing on the costs of short-time farm loans.

PURPOSE OF THE LOAN.

The use of any given loan ought to yield a return sufficient at least to repay both interest and principal. If the returns are not sufficient for this purpose, then the money should not be borrowed. The only way in which the use of credit can be directed so as to serve the interests of improved agriculture is to control the extension of loans so that they may be used for productive purposes only. This means, at the same time, a safer use of credit.

In some localities banks offer loans to farmers at reduced rates of interest when the money borrowed is used for some specific and approved purpose, such as the purchase of live stock, the building of silos, or the making of other improvements which will make farming more profitable under the given conditions.

SIZE OF THE LOAN.

The banker usually charges a higher rate of interest on a small loan than on a large one. The clerical and bookkeeping expenses are the same in both cases. Unless a higher rate were charged on small loans, the point would be reached where the expenses connected with such loans would be greater than the interest. On the other hand, it pays the banker to handle large loans at a lower rate of interest.

The importance of restricting loans to those for approved productive purposes and of having the size of the loan conform to the requirements of sound farm investment has been recognized by some bankers to such an extent that they employ advisers who discuss such questions with their farmer patrons in order to promote the interests of their farm-loan business. This plan has been followed by banks in the Central West, in New England, and in the South. The plan of one of the southern banks may be taken as an example. The agricultural adviser employed by this bank, after a conference with the prospective borrower, decides whether the proposed loan is businesslike and expedient. If the purpose of the loan meets with his approval, he works out a plan of procedure with the farmer. The farmer may consider that he needs a loan of $1,000. As a result of his conference with the adviser it may be found that $700 is sufficient. They discuss the safety of the proposed investment, the additional equipment necessary, and in case live stock is to be purchased, the crop rotation that will furnish the most economical supply of feed. These items are all arranged and agreed upon before the bank makes the loan. After the loan has been made and the

capital invested it is the duty of the adviser to visit the farm from time to time to see if the plan adopted is adhered to and if the investment is yielding proper results. Such a plan means added protection to both the farmer and the banker.

RELATION OF THE FARMER TO THE LOAN AGENCY.

The banker often makes a difference in his interest charges between the regular patron and the man who is not a regular patron, other conditions being equal. If it is a question of favoring the one or the other, the banker generally favors his patrons. The farmer, therefore, who desires credit on favorable terms at a bank usually finds it important to establish banking connections by opening a checking account. In this way he becomes familiar with banking methods and with the general banking requirements for the extension of credit. A farmer who maintains this direct relation with his bank will understand something of the need for a definite basis for his financial rating, and will realize the importance of keeping farm accounts so that he can make a fairly definite showing of his resources and liabilities and of his farm income. The value of this realization can not be emphasized too strongly, in view of the fact that relatively few farmers keep accounts sufficient to give them a knowledge of their farm income, partly because of lack of training and partly because of a disinclination for this kind of work. Moreover, many farmers are occupied so completely with other duties that they feel they have little time to keep accounts.

Attempts are being made to overcome these difficulties in various ways. In one rather thickly settled farming region in Massachusetts, for example, the farmers have hired a bookkeeper cooperatively, who visits the farms and keeps the farm accounts. In certain States a plan has been adopted whereby the banker virtually becomes a bookkeeper for the farmer. Under this plan the farmer agrees to deposit all his receipts with the bank and to make all his payments by check. The farmer's deposit slip shows the source and character of each item, and there is a space on each check in which to indicate the purpose and character of the expenditure represented. Under this plan the banker is in a position to send the farmer a fairly complete monthly statement of his receipts and disbursements.

HOW COLLECTIVE ACTION AMONG FARMERS MAY IMPROVE THEIR RELATIONS TO LOAN AGENCIES.

In some parts of the country where farmers, if they obtained loans at all as individuals, were compelled to pay very high rates of interest, plans have been tried out under which groups of farmers have been able collectively to establish improved relations with banks. In several localities of the Central Western and Rocky Mountain regions,

farmers have formed temporary agreements under which they act collectively as guarantee associations for approved loans of members. The added security from these associations has enabled members to obtain loans at reduced rates of interest. Another plan, illustrated by what has been done in a Texas community, involves a temporary agreement between a group of farmers and a bank, but differs from the plan previously mentioned in that the added security consists of a reserve fund left with the banker. Each borrower allows the bank to retain 5 per cent of his loan for a reserve fund, which is held as a guarantee for all the loans made under the agreement and is returned to the farmers at the termination of the agreement.

Under another plan, which has been employed in several communities of the Northwest, a group of business men agree to deposit a sum of money with a bank and guarantee the loans given to farmers for some specific and approved purpose. In all such cases farmers have been enabled to obtain credit on more favorable terms than usual.

HOW THE COOPERATIVE CREDIT ASSOCIATION HELPS MEMBERS TO OBTAIN LOANS ON BETTER TERMS.

In a number of localities in this country, groups of farmers have organized cooperative credit associations or credit unions. Usually each credit union makes definite arrangements with some bank by which the latter acts as a depositary and furnishes loans on specified terms. Thus one of the unions in North Carolina receives 3 per cent interest from its bank on deposits subject to check and 4 per cent on savings accounts left on deposit three months or longer, and pays 5 per cent interest on its loans from the bank. The credit union in turn pays its own members 4 per cent on their savings accounts and furnishes them loans at 6 per cent. Such a credit union not only accustoms its members to the use of check and savings accounts but also enables the members to obtain loans for approved productive purposes on better terms than they could obtain elsewhere.

ATTITUDE OF THE LOAN AGENCY TOWARD THE FARM-LOAN BUSINESS.

In many regions the banks are not accustomed to dealing with farmers to any extent, especially with tenants and croppers, and the latter, therefore, must obtain their loans from other sources. This is especially true in the cotton States, where the system of advances from merchants to farmers still prevails. A few banks are breaking away from this traditional attitude, however. In one community of South Carolina the banks are actively soliciting business with croppers and renters as well as with farm owners. One of these banks began this policy 15 years ago on the assumption that many small accounts of this character properly scattered would be safer for the bank than a few large accounts. The experience of these banks has led them to become more active than ever in the extension of their

farm-loan business, while the farmers of their vicinity generally are obtaining loans on better terms than those living under similar agricultural conditions elsewhere.

It is realized that the farmers in some sections of the country are accustomed to carrying check accounts with banks and are as familiar with the requirements of banking relations as other business men. There are other regions, however, where many farmers have not had such experience in commercial matters and where the bankers could be of practical assistance in making the farmers better acquainted with banking methods. The banker should remember that the farmer is not subject to the periodic visits of an examiner, requiring that certain matters receive attention promptly within definite time limits. This is one reason why farmers do not always realize the importance of meeting their obligations on specified dates. One plan that has proved helpful in this connection is to have the banker give the farmer the benefit of ample written notice with reference to the maturity of interest or other payments.

Existing banking methods and practices as related to farm loans are often criticised by reason of the unwillingness or inability of certain bankers to carry over farm loans until the farmer is prepared to meet his obligations. Complaint is often heard of cases where a banker, with a little extra effort, could make arrangements to carry over the loan of some farmer patron, but where in fact an apparent indifference to the welfare of the farmer is shown. It is interesting to learn, however, that many bankers manifest exactly the opposite attitude, and use every resource at their command, including such assistance as they can obtain at larger financial centers, in order to carry over their farmer patrons until such time as payment on loans can be made conveniently.

Where banks are active in developing farm-loan business they realize the importance of understanding the requirements of safe and progressive agriculture and also the importance of educational work among farmers in the interest of improved agriculture. Such knowledge gives the banker a better understanding of the merits of farm loans and at the same time tends to raise the standard of farm-loan paper. These considerations not only make possible a safer and larger loan business for the banker but also lead to a decrease in the interest rates paid by the farmer.

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